

POLICE & FIRE PENSION ADVISORY COMMITTEE
AUGUST 2, 2001 MEETING

Members present: Joe Yindrick, Mark Westphalen, Aaron Drake, Mark Meyerson, Ross Hecht.

Member absent: Jim George

Personnel Dept.
Resource Staff: John Cripe, Paul Lutomski

Others present: Jeff Gottbreht (Fire Union President)

AARON DRAKE: So, I call the meeting to order. We have a guest - Jeff Gottbreht. Jeff is the President of our local IAFF Union and also a firefighter with Lincoln Fire. Paul, do you want to go ahead?

PAUL LUTOMSKI: First, at 3:45, Doug Thorpe is going to come up and show you an internet site for the Pension Plan. It's fairly comprehensive. After Doug, I'll show you the secured site that we have made so people can check on their own pension information. Years of service, account balances, beneficiary questions, everything that we can see, a person can see their own information in that regard. The minutes of the May 2001 meeting were mailed out. Please vote to approve or amend.

"ROSS HECHT": I move to approve.

MARK MEYERSON: Second.

AARON DRAKE: Any discussion? *(Silence)* All in favor say Aye.≡

All committee members: Aye.

AARON DRAKE: Motion approved.

PAUL LUTOMSKI: Item B. We worked with the IRS to create language that would persuade them to grant us a favorable determination. Entire ordinance language for Plans A, B, and C on pages 18 to 52. You can see there were some extensive additions to persuade them to go the self-directed route and the senior reviewer told us that everything looks okay. He would give this to a final review area, then they will sign a letter and get that out to us within sixty days and it will be sixty days on August 10th. We can talk about Item C in just a few minutes. Item D. Wells Fargo is eliminating

something called the repurchase pool, and so we, from the investment choices that we were given, we chose the government money market. It appeared to have the best risk/return relationship for the plan. We don't normally keep a lot of money in that type of account, because the return is low. Item E, page 55 through 57 is documentation on tax changes that President Bush signed into law recently. Some pension changes were included. The legislation takes effect January 1 of 2002. It allows portability between qualified pension plans, IRA money, 457 money to transfer from one plan to the other without any tax consequences. This is important because of the cost for Plan B and C members to switch to Plan A is sometimes pretty hefty. After January 1 members could transfer some of their IRA or 457 money to make the payment, so we're asking the Council on August 13th to change the 30 day window to a six month window, to overlap the January 1st date.

AARON DRAKE: That would allow pre-tax payment. If we don't get and they have to pay with post tax money, how would that be treated when they're ready to retire?

PAUL LUTOMSKI: We have post tax contribution and pre tax contribution buckets inside the pension. We would place the switch cost into the appropriate bucket, or some of each.

MARK MEYERSON: I want to make sure I understand what you're saying. You can take money from another IRA account that you have to use to pay the transfer fees to get into the A plan?

JOHN CRIPE: Effective after January 1st. Not until then.

PAUL LUTOMSKI: There is a stipulation on the transfers. We must record the money you transfer to us as pretax. The money that you put into an IRA before 1986 would be all pre-tax. After '86 they changed the law where you can put in the whole \$2,000, but maybe only part of it, depending on your income, would be pretax and the other post tax. When we take the money in we have to report the whole amount as pretax. You could give us post tax money also but that means you're paying taxes on it twice. Or you could figure out the actual pretax amount in your IRA and just transfer that to us.

PAUL LUTOMSKI: Any questions on Item E? Item F, Mark requested the City respond to a letter by Police Union President Mark Stahlhut and then to talk about the rent charge for the office space.

MARK MEYERSON: We had a couple of questions about the letter, which I believe Georgia sent.

GEORGIA GLASS: Yes.

MARK MEYERSON: One was the assertion that our pension had been tested in the Court of Industrial Relations, and we wanted clarification on that. We weren't aware that that had occurred, although in talking with some LFD people, I guess that it was somehow part of their

GEORGIA GLASS: I was referring to the Commission of Industrial Relations case with the Fire Union. Both the City and the Union had a consultant look at the pension plan. What I had been told is that both said that at that time the pension plan was comparable with the cities that were used in the array the Court used.

JOHN CRIPE: There was testimony was from both experts that it was better than the market. The question in dispute was how much better than the market. The court can not change anything regarding pensions and when on.

JEFF GOTTBREHT: I disagree a little bit with that, because when they testified in front of the CIR on that issue the expert that the City had on the stand made it sound like everybody in the Fire Union was on 8.0% Plan and that=s not accurate. We have members that are in both plans, so I think a lot of the information there ... and I wasn=t a part of that case ... but just listening to what I=ve been told is that our attorney and our union leadership at that time didn=t feel that the CIR really wanted to dig into that, and, I think, I agree with what John said. They felt that it wasn=t their position to change the pension. They just looked at the percentages and basically said it=s comparable and they moved on.

JOHN CRIPE: Jeff is correct. The City presented the case on the 8% because the other two plans were closed, they were not accepting new members. So the City=s evidence was on the 8% plan, and the Fire Union=s expert was a combination of plans, including both the 8% and the 7.6%, so the testimony was different, but I don't think the CIR made any comment to the negative with regard to the pension.

JEFF GOTTBREHT: That=s the past. I think the thing we need look forward. We do have a commitment from the Mayor and from the Personnel Director that we=re going to do a comparability study for the pension, and I think that=s where we need to look and get moving forward with that. That=ll help tell the story on where we=re at.

MARK MEYERSON: I think that comment leads into my next question. In the letter Georgia writes about a benefits study from Charlotte, NC and uses it to state that

our benefits are within the parameter of the comparability and then it goes on to state that in some respects our pension is better than average. My question is could provide copies of that to the advisory board members, because we're curious to see where it says we stand as far as the comparability with employee contributions, pay outs, things of that sort. You only chose in your letter to talk about a few things.

GEORGIA GLASS: Sure you can have a copy. Mark I really didn't use that study to go to the Mayor and say, AHey, this is some sort of proof.≡ What I did was said to him, AInterestingly enough, this showed up in the mail and if you look at a couple of the things that were summarized in this study, which were, I think, the two things that I mentioned, that we in terms of regular age and service for retirement and how much the employee contributed, those two items, we compare favorably.≡ I did not present to him that this was some sort of a comprehensive comparison of our pension plan. This is a more complicated issue.

MARK MEYERSON:Right.

GEORGIA GLASS: I think Jeff is probably right. The real issue is that we need to determine whether or not we're going to spend the money to do a comparability study.

GEORGIA GLASS: Our pension can certainly stack up and appear to be a reasonable pension. If this is X if this looks like it was sort of an end run on my part to go to the Mayor and say, ADon't believe what Mark Stahlhut's saying,≡ that really wasn't my point. My point was I think there's a lot of ways in which our pension has been looked at, the CIR case being one of them, where we don't appear to be that bad, and this was another way to say that in a couple of areas, we don't appear to be that bad. I'm not saying that there isn't any need for a comparability study.

JOHN CRIPE: Mark Stahlhut's letter is fairly inflammatory. I mean, there is an opportunity for him to come to this meeting and express his concerns, which he did not do and has not done, and so when you receive something that is slanted in one direction, you certainly want to address all the issues that it presented. And I think we've covered those issues. There are lots of items that are a part of your pension that need to be compared. You're twenty-six pay periods on final average salary. Half the country is in three years, or five years. There's lots of issues that aren't part of anybody's study that I know of. So, if we're going to do a study do it in-depth, that is our preference.

AARON DRAKE: Mark and Ross and Joe, I don't believe you were here during the period

of the CIR. We weren't in attendance. Georgia makes the comment that it is quite a complex issue and that is very true, and I think during the CIR I believe that a very simplistic view was taken of it, and because of that both parties agreed based upon the very simplistic that it's comparable, but it's not delved into because it can be extremely complex.

ROSS HECHT: Is this whole subject something this committee should address? It seems to me this is something that should be negotiated between the City and the unions.

AARON DRAKE: No, this is not an negotiated item. We just went through negotiations recently and we were asked ... I believe it was by our Chief, but I think it was through the City ... not to bring the pension to the table. I think we would talk about some retirement issues during negotiations, but not the pension per se. So we haven't been able to do that, so when we have this other committee that we've been working on and possibly the new committee being formed that's addressing the pension, but we have really not had a very good medium to bring the pension, up and so therefore we kind of keep attacking it in little bits and little bits.

ROSS HECHT: But is that this committee's function? I thought ours was really the investment and benefits. And you're talking about benefits. And I don't think we have any control over benefits.

AARON DRAKE: Well, I don't think we have total control over investing, either.

ROSS HECHT: It's an advisory committee.

AARON DRAKE: Yes. I think we're really an advisory level.

JEFF GOTTBREHT: Yes. I just wanted to comment. I know you've mentioned negotiations. The firefighters union and the police union are never negotiated at the same time, and this is a police and fire pension. It would be hard for us to sit across from the City and negotiate pension changes without our brothers sitting here with us negotiating the same changes. It's a police and fire pension. We were willing to bring it forward to negotiations, and were asked by the Mayor not to do it.

JOHN CRIPE: Yes, that's exactly right. I mean, it would be difficult for us to say yes to change half the pension without regard to the further negotiations.

ROSS HECHT: I'm under the impression that this committee has no authority or responsibility even to suggest benefits.

JOHN CRIPE: You could vote to support it or not support it. So, you know, if the Mayor decides to do it, without your support, you know he certainly could.

JEFF GOTTBREHT: Didn't this group to raise the pay of pension retirees?

ROSS HECHT: Yes.

JEFF GOTTBREHT: Yes. I think I was here at that meeting, so I believe you do control some of the benefits.

PAUL LUTOMSKI: Not control, but you definitely give us advice on where you'd like to go with benefits.

JOHN CRIPE: Certainly, we do take seriously your advice on a number of issues.

AARON DRAKE: Back to my original discussion of the CIR. They really gave us a very simplistic view of the pension and on the surface, at times, it can look comparable. I think since then we've learned a lot more. Attended other conferences and we'd have a hard time now saying, AI think we are comparable.≡ I think if you look at a very brief snapshot at any particular point, there may be a point in there where you can say, Awe=re comparable≡ at the beginning. A lot of the plans you see out there continued to increase in benefits and ours doesn't, and we really can't prove that without an in-depth study. We have a very strong hunch, but that's it. I think we can see back with the CIR that it's comparable. So right now we=re, struggling with how do we really determine if we=re comparable or not.

GEORGIA GLASS: You were going to say something else Ross?

ROSS HECHT: Without doing a study, how in the world do you know?

GEORGIA GLASS: Exactly X You don't really know, until you really get down to compare the elements.

MARK MEYERSON:With this North Carolina study.

GEORGIA GLASS: I'll be happy to give you copies. They survey all these cities and they ask all kinds of different questions. Police and Fire Pension is just one of them, so every year we get this compilation of the study that they've done, and it's just interesting, because they're looking at cities that are all over the United States.

JOHN CRIPE: We get the police salaries, and the fire salaries. Large metropolitan areas

are included, it's X I forget, fifty or sixty input points, and we're only one of them.

GEORGIA GLASS: We'll bring it to next week's meeting, next Friday.

MARK MEYERSON: Sounds good.

JOHN CRIPE: There is a section on each of the contribution rates, and hours of work and average hourly rates. There's a summary page that we took that information off of.

MARK WESTPHALEN: So the question I've got is that Aaron indicated that the firefighters membership wanted to bring the pension issue to the table.

AARON DRAKE: They had originally we had planned on doing that.

MARK WESTPHALEN: And then the Mayor's suggested don't. And you didn't. And why is that?

MARK MEYERSON: It's not a negotiable item. I think a lot is because we negotiate at different times. And so you can't negotiate it. I mean, where else are you going to bring it up? This is our only venue. Our only forum.

ROSS HECHT: Kind of a catch-22, isn't it?

MARK MEYERSON: Not really. I think this is the place where you talk about it.

ROSS HECHT: Well, you should do it here.

MARK MEYERSON: I would disagree with you, when you say this isn't the place to do that. I think this is our only place to do it. We kind of have to do it here.

AARON DRAKE: But along that same point, my concern would be the comparability study. We just had a committee that went a little bit different direction than we thought originally it was going to.

ROSS HECHT: Which committee is that?

GEORGIA GLASS: For special task force.

ROSS HECHT: The one in which I am a member.

GEORGIA GLASS: Yes, and Mark (Westphalen and Meyerson).

AARON DRAKE: My concern is spending a lot of money ... talking, talking, talking, and not having anything done. I think we should be prepared to find a way to take action, if we actually go through the effort.

JOHN CRIPE: It may be equally frustrating for us. Going through a comparability study that cost 25 or 30 thousand and then we get an answer and the City Council says, AOh, but by the way, we are not going to spend the money.≡ What are we prepared to do with the information once we get it. I heard on the radio if the occupation tax doesn=t pass, our \$250,000 increase is gone. So, you know, we=re a little uncomfortable with regard to what will happen, even if we have some a study.

PAUL LUTOMSKI: Maybe instead of hiring somebody we could do something ourselves first. We find some communities, make some phone calls.

GEORGIA GLASS: Wouldn=t Jim George tell us he=s already done that?

PAUL LUTOMSKI: Yes, I think he probably has a lot of data.

JEFF GOTTBREHT: I know he does.

GEORGIA GLASS: With all due respect to Jim, what we really need to do is both sides need to read the actual documents of the plan.

PAUL LUTOMSKI: If we do this first on our own, it=s cheaper and it=ll give us a better idea of what we want to ask an actuary to look at specifically.

JOHN CRIPE: You have two or three states that are state programs. I mean, Iowa has a state program. Kansas has a state program. I think Colorado has a state program.

JOHN CRIPE: We could gather the data and put the material together for everybody, but I think in the end for some justification to occur need a professional study. If we want to go through the legwork and get it all prepared, you know where you=re going to head before you spend the money

PAUL LUTOMSKI: Whoever we pick, we=re not going to go with Gabriel Roeder, but maybe, if we all agree the data is correct, we hand them the data, then that way they don=t have to do all the survey work, and that=ll save the plan a lot of money.

JEFF GOTTBREHT: I think Iowa just did that.

GEORGIA GLASS: Do you think we can find out if Iowa just did a study?

JOHN CRIPE: Sure.

JOHN CRIPE: The one I got from Wisconsin was straightforward, and you know that Iowa took over all the little programs because they were so dramatically underfunded and put it into the state=s, so they provided local pensions, through the state system.

JEFF GOTTBREHT: Omaha was just entering negotiations and pension is an issue to them. They=re asking to increase their pension to 75%.

JOHN CRIPE: They would actually negotiate wages and pensions together, I think, as part of their package.

PAUL LUTOMSKI: They=re \$15 million dollars short on their budget this year.

MARK WESTPHALEN: I don=t doubt that getting the information and running through the numbers is not fruitful exercise, but I think you still face the major hurdle of how you are going to bring this issue to the table.

GEORGIA GLASS: Which table are you referring to? This table or the City Council table?

MARK WESTPHALEN: Either. To me, it=s a very nebulous topic. I think you need to define how are we going to negotiate this and what the process is going to be to everybody=s mutual satisfaction, and then go get the data and go have fun with it.

JOHN CRIPE: Mark, I think you=re exactly right, with one small exception. If Paul and I and Georgia have the adequate evidence to support police and fire and we knew that we had a funding source, we=d have the benefits on the table today. Our frustration is funding. We can=t even get the proper funding for the benefits we have now - even after a year=s worth of committee meetings and task forces and talking to Council people. So, from our perspective a study indicating a benefit increase only compounds our problem.

MARK MEYERSON: I=ve heard that already. Yes, we need benefits, but we don=t have money, because we don=t even have money for the plan that we=ve got now. I mean we=re not the adequately funding now.

JOHN CRIPE: We=ve been looking at, as you will see later, a discussion of a real COLA versus our 13th Check and trying to ease in it in beginning at a real 1% COLA.

ROSS HECHT: But don't you think that the real purpose of the special task force is politically advantageous to the Mayor. He needs to have somebody tell him that the City needs to fund the pension plan, and I think the special task force is his gimmick to do that. I think that's what he wants us to do.

MARK MEYERSON: They've done that already. It's done.

GEORGIA GLASS: Yes.

ROSS HECHT: But I don't know that the Special Task Force made that recommendation to the City Council.

GEORGIA GLASS: Well, no. I think one of the main things that the Mayor wanted from the Special Task Force was support, and evidence that he, the Mayor, could take to the City Council and say, AI formed a Special Task Force to really look at this, and I'm telling you, and I've got this group backing me up, that we're behind the eight ball on funding the Police & Fire Pension.≡ We do have a document that we should get Ross a copy of here, that showed some contribution scenarios. And that did help ... I think ... the Mayor go to them.

ROSS HECHT: And he has done that?

GEORGIA GLASS: Yes. That's what's reflected in this budget. This committee would think it not enough. I mean, because he said he'd increase the funding by \$250,000. Interestingly enough, Jon Camp said increase the funding by \$500,000.

ROSS HECHT: I think he's right. I think he's right.

GEORGIA GLASS: The Mayor only went out as far as \$250,000, which isn't enough. But you're absolutely right. John and I met individually with two of the new City Council people, Glenn Friendt and Terry Werner, to talk about the Police and Fire Pension, so that they understood the process of what we were going through, because we said to them very point blank, At the 9th hour when you're looking for things to cut, what's happened in the past, is you see \$900,000 going into the Police and Fire Pension, and a need to fix sidewalks. Previous City Councils have said, with all due respect, said, >we'll put \$500,000 in the Police and Fire Pension and fix sidewalks.≡ Our message to Glenn and Terry was, ADon't be doing that.≡ And they, they said, AYou're absolutely right. We can't do that, and we understand.≡

ROSS HECHT: Well, I also think that maybe a previous Mayor was running for Governor, using the budget as a real advantageous item.

JOHN CRIPE: I heard a sound bite on the radio today with regard to the Mayor=s news conference this morning. One of the issues he expressed was that he felt that the Pension is underfunded by a million to two million every year, and he said that publicly.

ROSS HECHT: Who said that?

JOHN CRIPE: The Mayor. Today during his news conference. So, I think that the Task Force has gotten their message as far as it could get. Now, in view of priority, we=re still in the middle of those issues of priority of who gets what dollars. This year, I think, I=m afraid we=ll get squeezed, but I do think we got the attention that we have not gotten for the past four or five years, now. Whether it=ll lead to some significant changes, I don=t know that yet.

PAUL LUTOMSKI: I saw the Jon Camp news conference on Channel 5 where he and Ken Svoboda and Glenn Friendt all agreed that the pension instead of \$250,000, should get at least half a million dollars.

ROSS HECHT: I talked to Glenn Friendt myself about that very thing, and he agreed.

MARK MEYERSON: Well, this year, didn=t they say 1.4? The actuaries.

JOHN CRIPE: Yes, that would be 1.4 this year. But that doesn=t catch up, so we need to catch up.

AARON DRAKE: Moving along. Mark, did you have a second item?

MARK MEYERSON: Why don=t we put a study on the agenda for 90 days from now and what do we do between now and then to start the ball rolling on something like that? How do we start it?

JOHN CRIPE: I think we should a preliminary internal study. Paul will gather the data, if you guys help us with the input points. We=ll gather the data, look at the material and then put it on the agenda again next quarter. And have some serious discussion, try to clean off the rest of the agenda, and spend an hour with regard to it, and then we go forward. Georgia goes to the Mayor and says, AThis is what the committee thinks. This is our preliminary research. What do you want to do?≡ Do you know what I mean?

MARK MEYERSON: Okay. So we should get together with Paul maybe?

MARK MEYERSON: Can we put it on the next meeting=s agenda, then, to see what progress we=ve made, and where we need to go from there?

JOHN CRIPE: Absolutely.

MARK MEYERSON: Okay.

JOHN CRIPE: And I think you can clear up some of the things next time, so we can give it adequate attention.

PAUL LUTOMSKI: Okay.

GEORGIA GLASS: You had some more things up from the letter.

MARK MEYERSON: Yes, I know this issue has came up before, and I just B I wanted to put it on the agenda to make it official. I know it=s not a lot of money, and there may be a very good reason for it, but it just rubs us the wrong way that we=ve got to pay rent over here, and that that=s taken out of our pension, and we=d, I guess, we=d like an explanation as to why we are charged rent. I=ve heard the civilians are not charged any rent and ... that they=re treated differently in that respect, and ... if this is something that there=s a legitimate reason that it needs to continue, that=s fine, otherwise can we stop it?

GEORGIA GLASS: The Public Building Commission charges every entity rent.

PAUL LUTOMSKI: That would be my office.

GEORGIA GLASS: Somebody=s going to pay rent for Paul=s office. Either the Personnel budget=s going to pay it, or the Police and Fire Pension Administration is going pay it, but somebody is going to pay rent.

MARK MEYERSON: So the Fire Chief, the Police Chief, they all pay rent.

GEORGIA GLASS: Yes. We all pay rent.

PAUL LUTOMSKI: \$173 a month.

GEORGIA GLASS: We see it as an administrative cost to the Pension, because we need a Pension Officer who needs a desk and an office.

JOHN CRIPE: Although you won=t see it in the civilian line item, the administration under the plan is charged a fee for the Ameritas or ICMA or whoever=s doing it, for

deferred comp or the pension, and you're paying for somebody's space. Those are the administrative fees. I mean, that's just the cost of doing business. So, this is part of our administrative fees *of* doing business, so. But it doesn't come up on a line item in somebody's budget that says Acivilian pension X \$173 a month.≡ But you're paying the fees. Anybody who's in deferred comp, either Ameritas or ICMA, or it belongs to the civilian pension, indirectly is paying for somebody's rent. Somebody's electricity. You know.

MARK MEYERSON: So in your opinion it's a legitimate and fair expense?

JOHN CRIPE: Oh, absolutely. As a matter of fact, I think it, as part of our study, we tried to get ... some discussion out of an accountant with regard to common costs for administration. You know, we're less than , ?

PAUL LUTOMSKI: A tenth of a percent.

JOHN CRIPE: For administrative fee. To run your entire pension of 130 million. And that is including the land, that includes Paul's salary.

MARK MEYERSON: I agree the costs are low. I just was wondering about that rent charge.

JOHN CRIPE: Yes, it's all part of business.

GEORGIA GLASS: Yes. If it didn't come out of the pension, I would have to go to Steve Hubka and say, AI need a hundred and seventy-three dollars times twelve in Personnel's budget to pay the rent for this office, because Paul is considered part of the Personnel Department.

PAUL LUTOMSKI: It's 3:45. Do we want to have Doug come in, or discuss some IRS issues.

GEORGIA GLASS: How long is his presentation?

PAUL LUTOMSKI: Oh, maybe five or ten minutes.

AARON DRAKE: I think we should keep going.

PAUL LUTOMSKI: Okay. I'll tell him that we'll do that some other time, then.

MARK MEYERSON: At the last advisory board , we discussed again, the full enhancement that the Police and Firefighters would like to have. I'd place this ... COLA item on the agenda is because it's so important to the Police and Firefighters, and I just wanted to keep it alive. ... I just want

keep it on the agenda.

JOHN CRIPE: And it's certainly important to us as well. We still feel the timing has not been right to increase the people monthly. We do believe that this fall the timing should be better. It won't be in the middle of the budget. It won't be in the middle of a task force. We should be increasing those people's base as we talked about. Aaron's plan. Along with that, however, I still feel confident that push for a 1% COLA. I'm concerned about a taking a \$900 13th check from somebody earning \$400 a month, we've taken 2 2 months worth of payment. We need to adjust their monthly so that they don't lose anything annually, and then we apply a COLA to that – to preserve it. Then, as the state is doing, over the course of the next year or two, then incrementally raise the 1%.

JOHN CRIPE: Well, so that at some point we get a 3% COLA. So, that's what we think you deserve, and I know that Don Herz is supportive as well, and I think it will take us a little while to get this thing, but I think we have to start. If we don't start, we'll never get there. Because it is a very large economic hit to the Pension to do a 3% COLA all at once. I think pretty comfortably we can do the 1% to start.

MARK MEYERSON: I don't know how Aaron and Jeff feel about it, but I B I like what you're saying a lot. What do we need to do to get it going?

JOHN CRIPE: The number one thing is we've got to get past the budget feelings, so that when October gets here we can present raising the base, and we can go into the Council when they're not talking about budget and shortfalls, and say that if we have the money to raise these people, we'd like to do it. At the same time, then, we need to present our plans for the real COLA. Because in September we'll pay the 13th Check. So, for some of these people, we'll be paying their benefit, you know. Then if we can raise it in October, in November we can get the COLA in place for the following year for September, starting with 1%. I think we can do that. Now, you know, we've got some Council members who may not agree with us, but B I think we can.

AARON DRAKE: We need to push on with it. Timing is very important, but I also know at some point you're going to have to push through anyway.

JOHN CRIPE: We'd like to have it on the Council agenda before we meet again. I think you have to increase the base in one ordinance and then administrate the 1% COLA in a different ordinance, so you don't B You don't have a waiting of both, but I mean if they pass the base and you've got eight or nine months to get the 1% passed before September again. Because you've already adjusted people, so the most important one is getting the base.

MARK MEYERSON: And then you guys report back to us at the next meeting, right?

JOHN CRIPE: Yes, you=ll see on the Council agenda, and we don=t have any problem sending you a copy of the language.

MARK MEYERSON: Well, I have to say I like that a lot. I mean, I think it=s an increase in benefits and it=s important.

JOHN CRIPE: We=ve needed a 3% COLA. At the time we did the 13th Check the cost was \$11 million. We didn=t have \$11 million to spend. Now, the \$7 million that we have for the 13th Check, only buys us a 0.7% COLA. So, you know, as we move along, economically it gets more and more expensive to do what we should have done originally. So, it is important that we try to at least address it incrementally. And hopefully the funding comes along as well. You know, we=ve got lots of things we want to have.

MARK MEYERSON: Sounds like we=ve got a plan.

PAUL LUTOMSKI: Okay. Item I. Some financial things, balance sheets, source and uses statement, transactions. Everyone=s already seen this, and nothing=s out of the ordinary. Are there any questions? *(Pause)* Item J is more interesting to me. As of July 31 fiscal year to date, our return was 4.88%. Our assumption is 7 2%. We actually may have a chance to get the 7 2, because yesterday the NASDAQ went up 2%. Today, I think it=s up right around 1% increase, so if bonds don=t tank and stocks go up a little bit, we might actually make our assumption. If we stay at 5% we=ll probably eat up about half of that over funding. Because we didn=t make our interest rate assumption, so that comes out of our advance funding amount. Getting closer to the hundred percent.

JOHN CRIPE: Everybody cross your fingers the market turns around.

PAUL LUTOMSKI: We=re going to get to 100% eventually. This year, next year. It=s going to happen some time.

MARK MEYERSON: What about underfunded?

PAUL LUTOMSKI: That=ll happen, too, Mark. I promise.

MARK MEYERSON: What=s the City=s view on overfunding? There=s a fear among the Police Officers that when we become overfunded they=ll increase our contributions.

PAUL LUTOMSKI: I don't think that's possible.

ROSS HECHT: I don't think it can happen.

MARK MEYERSON: Well, I've read the municipal ordinance and I don't see how B anything that prevents it.

JOHN CRIPE: No, it won't happen. It's the City's obligation. Each of the ordinances are set with a basic percentage, and that's an individual contract. Pensions are a lot different than union contracts. The pension contract is for life. And so, when you're hired as an employee, you're hired under a set of circumstances. That's why when you changed from 7 to 7.6, we don't automatically move you, we have to give you a choice whether you stay in the old plan. If we created a higher contribution rate, it would be on new hires and that would be a disaster. It would just be a disaster. If we become under funded, it's our obligation. The City's.

MARK MEYERSON: Well, that's comforting to know.

JOHN CRIPE: No, you have to elect to change.

MARK MEYERSON: Okay.

MARK MEYERSON: When does under funding become serious? When you become concerned. I know 98% is not there.

JOHN CRIPE: I take anything under 100% seriously.

PAUL LUTOMSKI: I think Don Herz said 90% as far as he's concerned.

JOHN CRIPE: I think it becomes a lot more dramatic. You know, as we played out the numbers, the further underfunded we are, the larger the catch up. I mean, the further we are from 100%. At some point, 95 or less, it probably becomes an issue of state legislature, and not the issue of our City Council.

MARK MEYERSON: Yes, if it's a continued liability with the City, I think that the bond ratings and some other things come under consideration as well.

JOHN CRIPE: Under the ordinance, we have to make the payment, whether we have any money at all to fund them. I mean, that's an absolute, that's why the ordinance was written that way. The charter is written. The problem is that in order to make it back to 100%, we have to make huge contributions. You know, \$10 million a year in order to make up the differences, and you just realistically can't do it. So the further we fall under 100, the more

dramatic it is to recover, and the more unlikely it is that we=ll be successful. You know, and I=m not trying to be a dooms day guy either, because we=ve been going over this for three or four years, and we=ve been trying to get people to pay more attention because we knew at some point we=d get here.

MARK MEYERSON: And Paul=s saying that if this market continues, then we=re likely to be underfunded.

JOHN CRIPE: Yes, I think if the market continues to be a downer the next year or two we=re going to at least get to 100% or 99%. But if the market then shows some improvement, then we won=t stay there long. But contributions also have to start picking up.

AARON DRAKE: I=ve been called a doomsday sayer too. Even, even among my own group, people think I=ve been a little bit too ... aggressive in my stance on where I think it=s headed, yet the horizon=s not that far off either, so. I=m not trying to say I B I told everyone so. I=m just stating the fact. It=s getting a little closer.

JOHN CRIPE: We don=t like it. We haven=t liked it since we started writing memos five years asking the City to increase its contribution. We=re not that comfortable with it since. And we=ve had some gradual improvement. You know, we=ll take what we can get. So if they pass \$250,000, you know, we=re going to be excited about 250,000 because we didn=t have it before, but that=s not near enough.

PAUL LUTOMSKI: To finish item J, some return rates of various times and various asset classes. That goes with the two pieces of paper I handed out when you first got here. One was the COLA projection. That one says we can afford a 0.7% COLA. And the \$600 raise the minimum target, the Aaron Drake idea. That=ll leave us maybe a hundred thousand dollars or less in our COLA pool. And then there=s a 0.9% after B after everyone is placed on the COLA agenda should that pass the City Council. 0.9% of annual increase to normal costs, which is about another \$270,000. So, if the Council says yes to this, they=re saying yes to \$270,000 more in funding essentially. The other issue that I passed out was a little e-mail that we got from our actuary saying that the IRS will not even be looking at our DROP application for at least another two months.

ROSS HECHT: Paul, let me ask you a question. You=ve gotten the runaround ... really severely, I think, with this thing. Would it do any good to have somebody

from the City Attorney=s office call and say, AHey, guys, what the hell=s going on?≡

PAUL LUTOMSKI: Well, I think we should try something. Our initial idea was to implement without the IRS=s favorable determination. The only difference is if we implement and we don=t have a letter, we=re opening our self up to possible IRS penalties. If we implement with or without a letter and the IRS decides a year from now that we need to change some things we=ll still have to change them, but if we have a letter we won=t have to pay a penalty.

PAUL LUTOMSKI: Assistant City Attorney Don Taute was concern about the size of the potential penalty? He wanted to know if we could somehow exert pressure on the IRS to make us a higher priority. I think it=s time to call a state senator now.

ROSS HECHT: Or somebody. And I B I used to get awfully good results having our attorney call, and I wondered if the City Attorney could call or your accountant, if you have an accountant.

JOHN CRIPE: It ought to be a U.S. Attorney. Or a U.S. Senator. If we=re going to put pressure on them, it ought to be the real pressure.

JOHN CRIPE: The alternative was we=d implement without the letter. Say October 1st we=re going to implement it and hope the Council passes on it by then, or we start with some political pressure, and see if it moves us, does it move us back in less than, does it move us further down the pile?

ROSS HECHT: I can=t believe it=s going to move us back any further.

MARK MEYERSON: I think it would be interesting to write a letter to Senator Hagel. Just see what happens. I mean, what have you got to lose?

JOHN CRIPE: It=ll have to come from either the Council or the Mayor.

ROSS HECHT: I think the Mayor could write a letter to Ben Nelson easier than to Chuck Hagel.

JOHN CRIPE: He can just give him a call.

GEORGIA GLASS: I have an appointment with the Mayor tomorrow and Don Herz together, on other stuff, so I=ll just bring this along.

JOHN CRIPE: As administrators we catch a lot of static for something not happening, when at

least for the last year, we=ve had no control over the progress, but still we hear about what we=ve not donet, said we=d do it, and all those kinds of things. For one reason or another, it=s out of our control.

PAUL LUTOMSKI: And I don=t think that it would have been a good idea to exert pressure before this, because we=ve been working with them to develop the language necessary for them to pass this thing, so having pressure before this wasn=t exactly the best idea.

MARK MEYERSON: I can only speak for the Police Department, but we know it=s not your guys fault.

JOHN CRIPE: We certainly have lots of people waiting. Some folks took out mortgages last January so they could do the switch and drop at the same time.

JOHN CRIPE: We=ve had a lot of people waiting and, you know, it is tough. And we, you know, we apologize for the ... I guess from whatever control we do have.

PAUL LUTOMSKI: Well, we do have some time, if we=re done. I can B I can call Doug, maybe he can come back real quick and then I can show you some things, if Aaron or Mark would allow me to use their own personal data, I can show you what we=ve got going on the internet, and then Doug can come up and ... give us a five or ten minutes on his.

AARON DRAKE: Any other B any other new business anyone wanted to bring up but it wasn=t on the agenda? Jeff?

JEFF GOTTBREHT: You guys covered what I was going to bring up.

AARON DRAKE: All right. Well, I guess we=ll adjourn the meeting and then if anyone wants to stay for this, you can.